

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ARA-16 ISO-00 EUR-25 AID-20 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07

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SS-20 STR-08 CEA-02 PA-04 PRS-01 USIA-15 L-03 H-03

INT-08 DRC-01 GSA-02 /204 W
----- 002488

P R 161135Z JUL 74

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC PRIORITY 9799

INFO AMEMBASSY KINGSTON

AMEMBASSY CONAKRY

C O N F I D E N T I A L FREETOWN 1304

E.O. 11652: GDXE

TAGS: EMIN, EFIN, EIND, SL

SUBJECT: ASSESSMENT OF INVESTMENT, TAXATION, AND EXPORTATION
TRENDS IN THE ALUMINUM/BAUXITE INDUSTRY

REF (A) STATE 145450

(B) FREETOWN 903

1. THERE ARE NO U.S. BAUXITE/ALUMINUM OPERATIONS IN
SIERRA LEONE. THE ONLY BAUXITE MINE IN THE COUNTRY IS
OPERATED BY SIEROMCO, THE LOCAL SUBSIDIARY OF ALLUSUISSE.
SIEROMCO'S PRODUCTION IS EXPORTED AS BAUXITE WITHOUT
FURTHER PROCESSING. EXPORT FIGURES BY COUNTRY OF DESTINATION
OVER THE PAST FIVE YEARS ARE AS FOLLOWS:

1969 NETHERLANDS	14,080 LONG TONS
SWITZERLAND	398,948 LONG TONS
TOTAL	413,028 LONG TONS

1970 SWITZERLAND 371,970 LONG TONS

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1971 CANADA 38,350 LONG TONS
WEST GERMANY 513,731 LONG TONS
TOTAL 552,081 LONG TONS

1972 SPAIN 18,825 LONG TONS
SWITZERLAND 664,118 LONG TONS
TOTAL 682,943 LONG TONS

1973 CANADA 408,219 LONG TONS
NETHERLANDS 54,600 LONG TONS
SWITZERLAND 189,640 LONG TONS
TOTAL 652,459 LONG TONS

PRODUCTION FROM THIS MINE IS EXPECTED TO INCREASE.
RESERVES ESTIMATED AT 30-40 MILLION TONS.

2. SIEROMCO WILL SOON BEGIN WORK TO OPEN A LARGER MINE NEAR PORT LOKO WHERE RESERVES ARE ESTIMATED AT 80-90 MILLION TONS. THIS MINE, WHICH COULD BE IN PRODUCTION WITHIN THREE YEARS, IS EXPECTED TO TURN OUT 2-3 MILLION TONS OF BAUXITE A YEAR. AN ALUMINA PLANT IS TO BE CONSTRUCTED. A PORTION (AS YET UNKNOWN) OF THE PORT LOKO BAUXITE WILL BE PROCESSED LOCALLY INTO ALUMINA FOR EXPORT. THE REST WILL BE EXPORTED DIRECTLY. AS PART OF THE PACKAGE, A SMALL "POTS AND PANS" FACTORY USING IMPORTED ALUMINUM WILL BE BUILT NEAR FREETOWN. THE EMBASSY DOES NOT KNOW TO WHERE THIS NEW BAUXITE AND ALUMINA PRODUCTION MIGHT BE EXPORTED.

3. NEGOTIATIONS ON GOVERNMENT EQUITY PARTICIPATION ARE PRESENTLY UNDERWAY AS PART OF THE GOSL'S LONGSTANDING BUT FLEXIBLY ADMINISTERED POLICY OF SEEKING 51 PER CENT EQUITY IN ALL MINING VENTURES. INDUSTRY SOURCES SAY THAT GOVERNMENT WILL ACCEPT LESS THAN 51 PER CENT IN THE PARTICIPATION EXISTING SIEROMOC MINE.

4. GOVERNMENT HAS IN THE PAST LEFT MARKETING TO THE EXPATRIATE COMPANIES. WHILE THERE IS INCREASING INTEREST IN THIS ASPECT OF THE MINING BUSINESS, GOVERNMENT AT THIS POINT IS ONLY ASKING TO BE "INFORMED" OF MARKETING
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NEGOTIATIONS AND DECISIONS.

5. EMBASSY FEELS THAT GOSL WOULD GO ALONG WITH CONCERTED ACTION TO GREATLY RAISE TAXES ONLY IF CONVINCED THIS WOULD NOT DELAY OPENING OF PORT LOKO MINE OR PREVENT INCREASED PRODUCTION OF BAUXITE AND ALUMINA. GOSL ATTITUDE ESSENTIALLY PRAGMATIC AND GEARED TOWARD DOMESTIC CONSIDERATIONS. THESE INCLUDE ECONOMIC NEED TO INCREASE EXPORT EARNINGS AND POLITICAL

IMPORTANCE OF PORT LOKO MINE WHICH IS TO BE LOCATED NEAR
OLD STOMPING GROUNDS OF VICE PRESIDENT AND PRIME MINISTER
S.I. KOROMA. PROSPECT OF MINE OPENING HAS BEEN "WORST KEPT
SECRET" AND GOVERNMENT WOULD NOT LIKE TO DAMPEN RAISED
EXPECTATIONS.

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